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April 3, 2014

COMMITTEES:

AGRICULTURE, NUTRITION AND FORESTRY
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The Honorable Tom Wheeler
Chairman
Federal Communications Commission
445 12th Street SW
Washington, DC 20554-0005

Dear Chairman Wheeler,

I write to express my concerns with the recent announcement from the Federal Communication Commission's Wireline Competition Bureau regarding a proposal that would raise the "rate floor" for local voice services.

According to the Bureau, this action is being taken to ensure that consumer rates do not fall below reasonable levels while states act to advance universal service. However, this new rate floor, which would increase from \$14.00 to \$20.46 on July 1, 2014, would prove to be particularly detrimental to our rural customers who already experience limited access to wireless phone service. While I support efforts to promote the viability and stability of the Universal Service Fund, I believe it is important to carefully evaluate the impact of this proposal on vulnerable, rural consumers as well as the differences between rural and urban calling scopes.

If you do decide to move forward with this rate floor increase, I urge you to consider phasing in the rate hikes or delaying implementation. For some consumers, this could be their third local voice rate increase in three years, and it is unfair to ask them to suddenly start paying double the amount of 2011 rates. In his testimony to the House Financial Services Committee, FCC Commissioner Ajit Pai stated, "Such a rate shock could send customers off the network entirely, which means further uncertainty about the economics of investing in rural America. We should not be adding to the challenges our fellow citizens face in rural America." I share Commissioner Pai's concerns and I ask the Commission to carefully reconsider this proposal. I appreciate your prompt attention to this matter.

Sincerely,



John Boozman
U.S. Senator



JB: jf

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FEDERAL COMMUNICATIONS COMMISSION
WASHINGTON

OFFICE OF
THE CHAIRMAN

April 18, 2014

The Honorable John Boozman
United States Senate
320 Hart Senate Office Building
Washington, D.C. 20510

Dear Senator Boozman:

Thank you for your letter expressing concerns on the implementation of the urban rate floor. I appreciate your views and will ensure that your letter will be included in the record of the proceeding and considered as part of the Commission's review.

In the 2011 *USF/ICC Transformation Order*, the Commission unanimously adopted reforms to make universal service a fairer system for all consumers and businesses. The *Order* includes a phase-out of excessive subsidies for basic phone service, which allowed some phone companies to charge their customers as little as \$5 a month while average urban, suburban, and even some other rural consumers, were paying over three times that amount. The Commission determined it was inappropriate to use limited federal high-cost support to subsidize local rates beyond what is necessary to ensure reasonable comparability between urban and suburban rates and rural rates, as required by Congress. The reforms gradually eliminate these excessive subsidies to level the playing field for all consumers and contain the cost of the program, which is funded by universal service fees paid by consumers.

While the Commission's rules do not require carriers to raise their local rates, I recognize there are concerns over potentially sizable rate increases and the possible difficulty some carriers may experience in making any rate adjustments at state level in a short period of time. To address these concerns, as I indicated during recent House and Senate Appropriations hearings, I have proposed to my fellow Commissioners that we delay the implementation of any universal service support reductions to provide carriers with additional time to consider whether they wish to make any rate changes and to enable them to phase in any changes over a longer period of time. This will allow implementation of the Commission's statutory obligation to ensure reasonably comparable rates. These proposed recommendations are included in an Order currently on circulation for consideration for the Commission's April Open Meeting.

I appreciate your interest in this matter. Please let me know if I can be of any further assistance.

Sincerely,

Tom Wheeler